

Message Text

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43/67

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 SSO-00 NSCE-00 INRE-00

USIE-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 AID-05

COME-00 FRB-03 TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04

SIL-01 OMB-01 /079 W

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O R 292041Z JUL 76 MCN CORRECTION

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC IMMEDIATE 3962

INFO AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

AMEMBASSY SAN SALVADOR

LIMITED OFFICIAL USE RIO DE JANEIRO 2878

E.O. 11652: N/A

TAGS : EAGR ETRD BR

SUBJECT : BRAZILIAN PURCHASE OF EL SALVADOR COFFEE

REF: BRASILIA 6611, BRASILIA 6647, RIO DE JANEIRO 2825

BEGIN UNCLASSIFIED

1. JORNAL DO BRASIL AND O ESTADO DE SAO PAULO REPORTED JULY 28 ANNOUNCEMENT OF BRAZILIAN PURCHASE OF 561,200 BAGS OF COFFEE (SUAVE) FROM COSCAFE, EL SALVADOREAN MIXED PUBLIC-PRIVATE COFFEE COMPANY. ANNOUNCEMENT WAS MADE BY CARLOS SANTANA, EXECUTIVE VICE-PRESIDENT OF INTERBRAS, GOB TRADING COMPANY WHICH NEGOTIATED TRANSACTION. REPORTEDLY COSCAFE WILL SHIP 216,200 BAGS IMMEDIATELY: 57,500 FROM EL SALVADOR AND 158,700 FROM COSCAFE (COMPANHIA SALVADORENHA DE CAFE) STOCKS IN HAMBURG. AN ADDITIONAL 345,000 BAGS WILL BE DELIVERED BEGINNING IN SEPTEMBER THROUGH MARCH 1977.

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2. ACCORDING TO NEWSPAPERS COFFEE WILL BE SOLD TO BRACILIAN FREEZE-DRY SOLUBLE COMPANIES (COCAM, COCA COLA AND MOGI) AND THEN RE-EXPORTED AFTER PROCESSING. SANTANA NOTED THAT BRAZILIAN COFFEE (ARABIC) IS QUOTED AT HIGHER PRICE THAN CENTRAL AMERICAN SUAVE AND SOLUBLE COFFEE WILL TOLERATE A BLEND OF UP TO 20 PERCENT SUAVE WITHOUT CHANGE IN TASTE.

3. REPORTEDLY, PRICE PAID TO EL SALVADOR WILL BE CALCULATED FROM AVERAGE SECOND-POSITION OF NEW YORK CONTRACT OVER GIVEN PERIOD OF DAYS. SANTANA CITED A TOTAL PURCHASE PRICE OF \$100 MILLION DOLLARS (CR\$1 BILLION 955 MILLION). COFFEE SHIPMENTS BEGINNING IN SEPTEMBER WILL BE PAID FOR BY EXPORT OF BRAZILIAN PRODUCTS TO EL SALVADOR.

4. SANTANA REPORTEDLY STATED THAT THIS PURCHASE SHOULD AT A MINIMUM STABILIZE PRICES. JORNAL DO BRASIL QUOTES SANTANA BEGIN QUOTE: THIS PURCHASE, IN A WAY, INITIATES THIS NEW PHILOSOPHY OF BRAZILIAN ACTION IN THE FOREIGN MARKET END QUOTE. O ESTADO DE SAO PAULO REPORTS INTERBRAS ESTIMATE THAT CONTINUING DECLINE OF COFFEE PRICES WOULD HAVE RESULTED IN LOSS OF 200 MILLION DOLLARS IN FOREIGN EXCHANGE IF PURCHASE HAD NOT BEEN REALIZED.

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5. IBC EXPORT DIRECTOR BAUMGRATZ, WHEN CONTACTED BY CONGEN OFF, WAS UNABLE TO COMMENT ON NEWSPAPER REPORTS. AFTER CONSULTATION WITH IBC PRESIDENT CALAZANS, BAUMGRATZ REITERATED GOB INTENTION TO HAVE BRAZILIAN AMBASSADOR SEEK MEETING WITH DEPUTY ASSISTANT SECRETARY KATZ IN WASHINGTON (BRASILIA 6647).

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6. EMBASSY AND FAS CONCUR ON THIS MESSAGE.
DEXTER

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Margaret P. Grafeld
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